



bc NO

10 DOWNING STREET

From the Private Secretary

19 July 1983

Doctors' and Dentists' Review Body

Thank you for sending me a draft letter for the Prime Minister to send to Sir Robert Clark about the terms of reference of the Doctors' and Dentists' Review Body.

The Prime Minister has considered this draft, but has commented that the ground rules agreed with the professions before the establishment of the present Review Body in 1971 do in fact constrain the Review Body in the way indicated by Sir Robert Clark. The Prime Minister has in mind particularly the words "The Government would expect the new Review Body to make their own assessment, taking into account, as envisaged by the Royal Commission, not only movement of earnings in other professions but other relevant factors also ...".

The Prime Minister appreciates that this Review Body has a long history and that comparability loomed a good deal larger in the Review Body's work sometime ago than it does, or should, today.

I wonder if you could suggest a revised draft letter which takes account of these points.

I am sending copies of this letter to Margaret O'Mara (HM Treasury) and Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

Steve Godber, Esq.,
Department of Health and Social Security.



10 DOWNING STREET

THE PRIME MINISTER

Dear Sir Robert,

When we spoke at the reception here for Lord Richardson about the Doctors' and Dentists' Review Body's latest recommendations and its terms of reference you told me that the Review Body had a responsibility to keep the earnings of NHS doctors and dentists comparable with those of certain other groups, and that its recommendations would therefore be designed to achieve this unless and until the Government changed its terms of reference. You will recall that I expressed some surprise that the DDRB saw itself as being bound in this way. I thought I should now write to confirm the formal position.

The terms of reference themselves are of course very simple, and make no reference to the factors which should be considered. The ground rules agreed with the professions before the establishment of the present Review Body in 1971 say that "The Review Body will be free to obtain whatever other information they want, to look at all the factors they consider relevant and to form their own judgment. The Government would expect the new Review Body to make their own assessment, taking into account, as envisaged by the Royal Commission, not only movement of earnings in other professions but other relevant factors also, including the quality and quantity of recruitment in all professions. The Government itself attaches particular significance to evidence about manpower and emigration trends and workload."

I do believe
these things
constrain
the Review
body

/I do

I do not read this as obliging the Review Body to maintain relativities with other groups. Indeed the agreement with the professions says specifically that:

"The new Review Body could not be regarded as bound by the relationship between doctors' and dentists' remuneration and that of other professions set out eleven years ago in the Report of the Pilkington Royal Commission The new Review Body will be free to make their own assessment of this as of all other relevant factors."

The fact that the Review Body is not bound to observe any fixed set of relativities is recorded at paragraph 6 of the First Report (1971) of the present Review Body. Paragraph 52 of the same report confirmed that the Review Body did not intend to bind itself to fixed relativities:

"But we cannot regard ourselves as bound by comparisons with the past. We agree with comments made in the Pilkington Report itself: doctors and dentists should not have a fixed place in a changing world; their financial position may rise in relation to some occupations and fall in relation to others; our subsequent reviews will not refer back to the relationships established by the Pilkington or the Kindersley Reports."

The Government naturally looks to the Review Body to make its judgments in the context of the economic and financial situation obtaining at the time and also to the supply of skilled manpower to the professions concerned, and you will, I am sure, give proper weight to the evidence which you receive from the Health Departments on those questions. My

/immediate

*but must
still observe
the ground
rules of the
present.*

immediate purpose, however, is to ensure that we are agreed as to the ground rules under which the Review Body operates.

Please let me know if you think this letter misrepresents the position in any way.

Yours sincerely
Ray and Schute

Sir Robert Clark.

*John Gwynne***DEPARTMENT OF HEALTH & SOCIAL SECURITY**

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

*From the Secretary of State for Social Services*Michael Scholar Esq
10 Downing Street

14 July 1983

Dear Michael

DOCTORS' AND DENTISTS' REVIEW BODY

Thank you for your letter of 30 June about the Prime Minister's recent conversation with Sir Robert Clark, Chairman of the DDRB, on the subject of comparisons with outside earnings.

The basis on which the DDRB operates was set out in the form of an offer, subsequently accepted, from Sir Keith Joseph to the BMA, dated 19 January 1971. I enclose a copy. For present purposes paragraphs 6 and 12(a) are particularly important. As you will see, the Prime Minister is right that the DDRB is not bound by its terms of reference to make the earnings of doctors and dentists comparable with certain other professions. Indeed paragraph 12(a) specifically abandons the strict relativities observed by the former Kindersley Review Body, which indirectly led to its demise. But, more generally, the DDRB does seem to see itself as having a duty to pay heed to the general indications as to how it should go about its work - some of them are mentioned in paragraph 6 of Sir Keith Joseph's letter - which were contained in the report of the Pilkington Royal Commission which originally led to the establishment of a review body.

The difficulty is that although Sir Keith Joseph made it clear enough at the time that the move away from fixed relativities could work either way, it was seen by the professions and the Review Body as a concession by the Government. The professions interpret the agreement as meaning that their incomes should not be affected by vagaries of earnings in, or changes in relativities between, specific outside groups. Rather, the Review Body should maintain their position in relation to the professions and other high income groups as a whole. The Review Body too has seen its task in this way and has long related doctors' and dentists' earnings to specific percentile points on the earnings scale regardless of which groups happened to be above or below them at any particular time. This is not however the only factor to which they have had regard and in recent years their recommendations have not in fact kept pace with the percentiles. Successive Governments have tacitly accepted the interpretation, in that they have never objected to it, or rejected a report on merits.

There is thus a considerable weight of interested opinion and a long series of Review Body reports in support of Sir Robert Clark's interpretation of his remit. Nevertheless the formal position is, as the Prime Minister told him, that there are no fixed relativities and it would be as well to make that absolutely clear. A draft letter from the Prime Minister is attached. It has been cleared at official level by Treasury, Scottish Office and Welsh Office, but not with the Ministry of Defence.

E.R.

I take it that you will be considering the need for comparable action in respect of the other Review Bodies. We shall bear the point in mind in drawing up the ground rules for the Nurses' Review Body.

I am copying this letter to Margaret O'Mara, Peter Gregson, Muir Russell, Adam Peat and Richard Motram.

Yours
Steve

STEVE GODBER
Private Secretary

01 type
DRAFT LETTER TO SIR ROBERT CLARK, CHAIRMAN OF THE DDRB

~~PERSONAL AND CONFIDENTIAL~~

Sir Robert Clark
Chairman
Review Body on Doctors' and Dentists' Remuneration
Office of Manpower Economics
Kingsway
LONDON WC2

several weeks ago
When we spoke about Doctors' and Dentists' Review Body's
at the reception here for Lord Richardson
~~When we met recently we discussed briefly the DDRB's latest recommendations and~~
its terms of reference. You told me that in your view the Review Body had a responsibility to keep the earnings of NHS doctors and dentists comparable with those of certain other groups, and that its recommendations would therefore be designed to achieve this unless and until the Government changed its terms of reference. You will recall that I expressed some surprise that the DDRB saw itself as being bound in this way. I thought I should now write to confirm the formal position.

The terms of reference themselves are of course very simple, and make no reference to the factors which should be considered. The ground rules agreed with the professions before the establishment of the present Review Body in 1971 say that "The Review Body will be free to obtain whatever other information they want, to look at all the factors they consider relevant and to form their own judgement. The Government would expect the new Review Body to make their own assessment, taking into account, as envisaged by the Royal Commission, not only movement of earnings in other professions but other relevant factors also, including the quality and quantity of recruitment in all professions. The Government itself attaches particular significance to evidence about manpower and emigration trends and workload."

I do not read this as obliging the Review Body to maintain relativities with other groups. Indeed the agreement with the professions says specifically that

"The new Review Body could not be regarded as bound by the relationship between doctors' and dentists' remuneration and that of other professions set out eleven years ago in the Report of the Pilkington Royal Commission The new Review Body will be free to make their own assessment of this as of all other relevant factors."

The fact that the Review Body is not bound to observe any fixed set of relativities is recorded at paragraph 6 of the First Report (1971) of the present Review Body. Paragraph 52 of the same report confirmed that the Review Body did not intend to bind itself to fixed relativities:

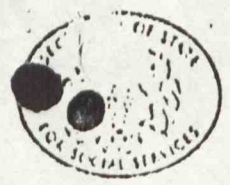
"But we cannot regard ourselves as bound by comparisons with the past. We agree with comments made in the Pilkington Report itself: doctors and dentists should not have a fixed place in a changing world; their financial position may rise in relation to some occupations and fall in relation to others; our subsequent reviews will not refer back to the relationships established by the Pilkington or the Kindersley Reports."

The Government naturally looks to the Review Body to make its judgements in the context of the economic and financial situation obtaining at the time, and you will, I am sure, give proper weight to the evidence which you receive from the Health Departments on those questions. *And also to the supply of skilled manpower to the professions concerned.* My immediate purpose, however, is to ensure that we are agreed as to the ground rules under which the Review Body operates.

Please let me know if you think this letter misrepresents the position in any way.

69C
DEPARTMENT OF HEALTH AND SOCIAL SECURITY
ALEXANDER FLEMING HOUSE
ELEPHANT AND CASTLE
LONDON S.W.1

TELEPHONE: 01-407 5522



Dr Ronald Gibson
British Medical Association

19 January 1971

Mr J. Gibson

1. We have now held a number of discussions about the new Review Body which is to be set up to advise on the remuneration of doctors and dentists in the National Health Service, and at the end of our final meeting on 14 January, I promised to write to you setting out the Government's conclusions. To help make this letter more comprehensive, I have included some points referred to in earlier letters.

2. Our agreed starting point was that the Review Body will be an independent body whose recommendations will not be subject to reference to any other body and will not be rejected or modified by the Government unless there are obviously compelling reasons for doing so. Our discussions were concerned mainly with (i) aspects of the work of the new Review Body; (ii) links with other analogous bodies.

The work of the new Review Body

3. I gave you assurances first that the terms of reference will be the same as for the Kindersley Review Body and will not be changed except by agreement between the Government and the professions and secondly that the Review Body will have freedom to determine its own method of working.

4. As in the past the professions will be free to make whatever submissions they wish in evidence to the Review Body. For the next review, as for others, they will be free to put to the Review Body their case for whatever they feel is justified on the facts available. The Government will have the same freedom. Each side will provide the other with copies of its written evidence.

5. As in the past the Review Body will require statistical information from the professions and from the Health Departments. The Joint Working Party on Medical Statistics, consisting of representatives of the medical profession and the Health Departments, will determine an agreed body of statistical data relating to the medical profession for the use of both sides (although with each side free to make its own interpretations) in written evidence.

In addition the Technical Sub-Committee will continue to supply evidence on practice expenses of general medical practitioners and the Dental Rates Study Group on hours of work of general dental practitioners. Both the professions and the Health Departments will be free to submit separately other general statistical information not handled by the Joint Working Party (eg on dental manpower, and economic information) to the Review Body and, as in the past, each side will supply copies to the other side.

6. The Review Body will be free to obtain whatever other information they want, to look at all the factors they consider relevant and to form their own judgment. The Government would expect the new Review Body to make their own assessment, taking into account, as envisaged by the Royal Commission, not only movement of earnings in other professions but other relevant factors also, including the quality and quantity of recruitment in all professions. The Government itself attaches particular significance to evidence about manpower and emigration trends and work load.

7. Among the factors it will be open to the Review Body to take late information into account in framing their recommendations. They would for example be able to take into account information about practice expenses, which normally become available two years after the period to which it relates (and in the case of general dental practitioners, would have been taken into account by the Dental Rates Study Group in recommending a scale of fees) in order to assess whether the provision previously made for practice expenses had been adequate, and to frame recommendations for future periods accordingly.

8. It will be for the Review Body to consider when to undertake reviews and what periods their recommendations should cover. For its part the Government would be inclined to suggest to the Review Body that reviews might normally be at two-yearly intervals.

9. The new Review Body would be invited to continue the practice of recommending target net incomes for general dental practitioners, to be translated into fees by the Dental Rates Study Group.

10. As in the past, both the Government and the professions will be free not to accept the recommendations of any particular Report of the Review Body. The Government has made it clear that it will for its part reject or modify the new Review Body's advice only for obviously compelling reasons.

11. I have considered whether it is possible to define in advance the compelling reasons for which the Government might feel bound to reject or modify recommendations of the Review Body. The Government does not think this practicable or that it would be sensible to try and do so. No formula could cover all future circumstances and a formula with escape-clauses could only be unhelpful or misleading. Should the need ever arise the Government is very conscious of the duty that would rest on it to state the compelling reasons which in its view existed.

12. For the avoidance of misunderstanding and in reply to particular questions you raised it is right that I should add, on the Government's behalf, the following:

a. The new Review Body could not be regarded as bound by the relationship between doctors' and dentists' remuneration and that of other professions set out eleven years ago in the Report of the Pilkington Royal Commission. As I have explained in paragraph 6, the new Review Body will be free to make their own assessment of this as of all other relevant factors.

b. While the Review Body's terms of reference will leave them entirely free to recommend whatever adjustments in remuneration they see fit, and from whatever dates, the Government will feel bound to express to them its own view that no further increase should take effect before 1 April 1971 and to point out that the recommendation of the Kindersley Review Body, accepted by the Government of the day, was that the increases they recommended for the training grades should last until 1 April 1972.

LINKS WITH OTHER BODIES.

13. During the discussions I explained that there are three groups for whom no negotiating machinery is for one reason or another appropriate and in respect of whose remuneration some co-ordination is needed in the arrangements for giving advice to the Government. The Government therefore, as it has announced, intends to establish three Review Bodies with appropriate links. One Review Body (the 'Top Salaries' body) will advise on the remuneration of the Boards of nationalised industries, the Judiciary, senior civil servants, senior officers of the Armed Forces, and Members of Parliament. Another body will advise on the pay of the Armed Forces generally (except two star officers and above). The third will be the one concerned with doctors' and dentists' remuneration. All three bodies will make their reports to the Prime Minister.

14. If these three bodies were to function in entirely separate compartments there would be a risk that they would base recommendations on quite different assumptions about common factors. In the Government's view it is essential that a common service should be available for providing them with information about general economic trends, including general manpower and pay movements. The provision of this service will be a function of the new Office of Manpower Economics the establishment of which was announced by the Secretary of State for Employment in the House of Commons on 2 November 1970. I enclose a copy of the relevant extract from his announcement and would underline what it says about the Office's independence of the Government. A senior member of the staff of this Office will be appointed to serve as Secretary of the three Review Bodies. In that capacity he will however be answerable solely to the Review Bodies and separately to each one in respect of its work. It will be his responsibility to use the resources of the Office to collect information and provide facts in accordance with the requirements of each Review Body. The Office will not of its own initiative submit evidence to the Review Bodies. It would be for each Review Body to decide what relevant information to invite the Office to supply, or, if it was not already in its possession, to seek to obtain. Unless the information provided under these arrangements to the doctors' and dentists' Review Body had to be obtained on the basis that it would be kept confidential (e.g. information about earnings provided by industrial firms on a strictly private basis) the Review Body would be free to make it available both to the Health Departments and to the professions, and to give them the opportunity to comment on it. The Government for its part would wish to suggest that this practice should be followed.

15. You pressed me very hard to agree that the Secretary of the new Review Body should be drawn from the Cabinet Office, as were the successive Secretaries to the previous Review Body, and not from OME. You feared that an OME Secretary would somehow bias the Review Body's judgment in the Government's favour. This is not, however, how it appears to other people, who believe that a Cabinet Office employee would seem to be more involved with the Government. My colleagues and I are quite sure there is no danger of bias, for OME will itself be independent of the Government and in any event the Secretary will, as I have said, work under the Review Body's instructions. Moreover it provides the natural location of the common secretarial arrangements needed for all three bodies. I would also point out that, in general, the Cabinet Office is staffed by Civil Servants temporarily seconded from other Government Departments (the previous Review Body had four different secretaries in eight years). The Office should be able to provide more continuity of Secretarial support.

16. As a further co-ordinating link, the Government considers that a degree of common membership is essential. Contrary to its own preliminary view, however, it has accepted the professions' view that the Chairman of the doctors' and dentists' Review Body should not also be Chairman of the other Review Bodies and that none of the members of that Body should serve on both the other Bodies. Common membership of the doctors' and dentists' body will therefore be limited to the inclusion of one member on the Top Salaries body and one other on the Armed Forces' body.

OTHER MATTERS

17. At our final meeting we had some discussion about your request that the superannuation of National Health Service doctors and dentists should be included in the remit of the new Review Body or independently reviewed. You argued that, because the Superannuation Fund is notionally and not actually invested, benefits are less favourable than in the generality of superannuation schemes. I do not myself believe this to be the case but will gladly consider and subsequently discuss with Dr A B Davies and his colleagues at an early date any evidence you can supply. Discussions about improvements in the Scheme generally are of course appropriate to the Joint Superannuation Consultative Committee.

18. We also had some discussion about your request that public health medical and dental officers should be brought within the remit of the new Review Body. The Government clearly could not ask the Review Body to examine the remuneration of a group of local authority staff without the agreement of the local authorities, who have hitherto

seen objections to a change which means isolating this group from the rest of their staff. I have no doubt that the solution to this problem will be much easier when we get a unified health service. Meanwhile the Government could only consider a change if it were acceptable to the local authority associations. I have undertaken to discuss this matter further with Dr Lycett and his colleagues.

19. We agreed that the terms of this letter would be published on 20 January. I hope that thereafter we will make rapid progress towards the establishment of the new Review Body.

20. I am writing similarly to Mr Gibb.

Sincerely,

Kenn Joseph

EXTRACT FROM ANNOUNCEMENT MADE BY THE
SECRETARY OF STATE FOR EMPLOYMENT IN
THE HOUSE OF COMMONS ON 2 November 1970.

.....1.....
In the public sector there is a clear need for co-ordinated machinery for advising the Government on the remuneration of certain groups for whom no negotiating machinery is, for one reason or another, appropriate. The Government intend therefore to establish at an early date three Review Bodies with a degree of interlocking membership. One will advise on the remuneration of the boards of nationalised industries, the Judiciary, senior civil servants, senior officers of the Armed Forces and such other groups as might be appropriately considered with them. Another will advise on the pay of the Armed Forces generally. A third will advise on the remuneration of doctors and dentists in the National Health Service. These three Review Bodies will have at their disposal and working to their directions a secretariat provided by a new Office of Manpower Economics.

The Government also intend to use the new Office of Manpower Economics to service any ad hoc inquiries which are necessary from time to time to examine in depth particular pay structures and related problems. The Office will also carry out analytical and educational work on more general matters affecting pay and its relation to productivity, either at the request of Ministers or with the approval of Ministers. The Office will not be part of the Government machine and its reports will be independent. Consultation will take place with the interests concerned about the detailed arrangements.

.....

Next Health
Doctors & Dentists
R 3





10 DOWNING STREET

Robin

Message from Margaret O'Mara
about cost of DD RB.

Excluding restoration of abatement
the cost of the award is £24 million.

2/3 of that has been financed
from the contingency reserve.

The cost this year of restoring
the abatement is £12 million - all
financed by the contingency reserve.

So, in total £28m. will
come from the contingency reserve.
But originally DHSS believed they
had overprovided for the cost of
GPs business expenses & could
therefore make a saving.

DHSS now find they had

underestimated this by £20 million.
Treasury are still awaiting
DHSS proposals on how this
should be financed.

Nicky